

Minutes of actions taken by the Board of Governors of the Federal Reserve System on Monday, June 20, 1955. The Board met in the Board Room at 10:00 a.m.

PRESENT: Mr. Martin, Chairman
Mr. Balderston, Vice Chairman
Mr. Vardaman
Mr. Mills
Mr. Robertson
Mr. Shepardson

Mr. Carpenter, Secretary
Mr. Sherman, Assistant Secretary
Mr. Sloan, Director, Division of Examinations
Mr. Hexter, Assistant General Counsel

The following matters, which had been circulated to the members of the Board, were presented for consideration and the action taken in each instance was as indicated:

Memorandum dated June 13, 1955, from Mr. Bethea, Director, Division of Administrative Services, recommending that the resignation of Garnet M. Lawrence, Telephone Operator in that Division, be accepted effective June 18, 1955.

Approved unanimously.

Letter for the signature of Chairman Martin to The Honorable Guy M. Gillette, Special Counsel, Committee on Post Office and Civil Service, United States Senate, Washington, D. C., reading as follows:

In reply to your letter of May 16, 1955, the following information is furnished in connection with your study of the Government employees' security program:

(1) The Personnel Security Officer of the Board is E. J. Johnson, who was appointed December 1, 1954. As the size of the Board's staff did not appear to justify a full-time security officer, the Board delegated the duties of the position to Mr. Johnson, who is also Controller of the Board and Director of the Division of Personnel Administration.

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Mr. Johnson has been associated with the Federal Reserve System for 29 years. On the Board's staff, he has successively been an Assistant Federal Reserve Examiner, Technical Assistant, Assistant Director of the Division of Administrative Services, Controller, and Director of the Division of Personnel Administration. He is a veteran, having served from 1942 to 1946 with the United States Navy, attaining the rank of Lt. Commander. He has a B.C.S. degree in accounting and has been granted a CPA by the State of Maryland.

His appointment was made under authority of Sections 10 and 11 of the Federal Reserve Act and as such is not designated under Schedule A, B, or C. His salary is \$12,500 a year.

(2) The following personnel are engaged in the Security Program (using the date of September 30, 1954, as you requested):

Mr. Rodney H. Van Devanter, Administrative Assistant, Division of Personnel Administration, whose salary was \$6,340 per annum. In the Security Program, his duties include liaison with other agencies and evaluation of investigations. His duties also include recruitment, placement, and classification of employees on the Board's staff.

When necessary, stenographic assistance is provided by Miss Sylvia Clements, Secretary to the Assistant Director, Division of Personnel Administration. Her salary was \$4,545 per annum.

Note: On September 30, 1954, Mr. Johnson was not Personnel Security Officer, the position being vacant on that date.

(3) Other than those named above, the only employee whose duties are in any way concerned with Executive Order 10450 is Mr. Charles Molony, Special Assistant to the Board. Mr. Molony has been designated as available for service to other agencies in the capacity of a Security Hearing Board member, if necessary.

Approved unanimously.

Letter to Mr. Martin Z. Wiener, President, Rutland Corporation,
830 Summit Street, Toledo, Ohio, reading as follows:

This refers to the request contained in your letter of May 3, 1955 for a determination by the Board of Governors

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of the Federal Reserve System as to the status of the Rutland Corporation as a holding company affiliate.

From the information supplied the Board understands that Rutland Corporation was organized and is operated as a family holding company; that Rutland Corporation owns 3,750 of the 6,000 outstanding shares of common stock of The Lucas County Bank, Toledo, Ohio; that investments of Rutland Corporation consist solely of stock of The Lucas County Bank and ownership of a commercial building in which the bank is located; and that Rutland Corporation does not, directly or indirectly, own or control any stock of, or manage or control, any banking institution other than The Lucas County Bank.

In view of these facts the Board has determined that Rutland Corporation is not engaged, directly or indirectly, as a business in holding the stock of or managing or controlling banks, banking associations, savings banks, or trust companies within the meaning of section 2(c) of the Banking Act of 1933, as amended; and, accordingly, Rutland Corporation is not deemed to be a holding company affiliate except for the purposes of section 23A of the Federal Reserve Act and does not need a voting permit from the Board of Governors in order to vote the bank stock which it owns.

If, however, the facts should at any time differ from those set out above to an extent which would indicate that Rutland Corporation might be deemed to be so engaged, this matter should again be submitted to the Board. The Board reserves the right to rescind this determination and make a further determination of this matter at any time on the basis of the then existing facts.

Approved unanimously, for
transmittal through the Federal
Reserve Bank of Cleveland.

Letter to the Liberty National Bank of Washington, Washington, D. C.,
reading as follows:

The Board of Governors of the Federal Reserve System has given consideration to your supplemental application for fiduciary powers, and, in addition to the authority heretofore granted to act as trustee, executor, administrator, registrar of stocks and bonds, guardian of estates, assignee, receiver, and committee of estates of lunatics,

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grants you authority to act, when not in contravention of State or local law, in any other fiduciary capacity in which State banks, trust companies, or other corporations which come into competition with national banks are permitted to act under the laws of the District of Columbia. The exercise of all such powers shall be subject to the provisions of the Federal Reserve Act and the regulations of the Board of Governors of the Federal Reserve System.

A formal certificate indicating the fiduciary powers which the Liberty National Bank of Washington is now authorized to exercise will be forwarded to you in due course.

Approved unanimously, for transmittal through the Federal Reserve Bank of Richmond, together with similar letters to The Lincoln National Bank of Washington; The National Bank of Washington; The National Metropolitan Bank of Washington; and The Second National Bank of Washington, all located in Washington, D. C.

Letter to the Board of Directors, Citizens State Bank, Tupelo, Mississippi, reading as follows:

Pursuant to your request submitted through the Federal Reserve Bank of St. Louis, the Board of Governors of the Federal Reserve System approves the establishment of a branch by the Citizens State Bank, Tupelo, Mississippi, near the intersection of Gloster and Jackson Streets, Tupelo, Mississippi, provided the branch is established within six months from the date of this letter.

Approved unanimously, for transmittal through the Federal Reserve Bank of St. Louis.

Letter to Mr. Preston W. Scott, Vice President, W. M. Scott Live Stock Company, Inc., Hecla, South Dakota, reading as follows:

This refers to the request contained in your letter of May 10, 1955, for a determination by the Board of Governors of the Federal Reserve System as to the status of W. M. Scott Live Stock Company, Inc. as a holding company affiliate.

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From the information supplied, the Board understands that the present activities of W. M. Scott Live Stock Company, Inc. consist of engaging in livestock and grain farming, grazing of cattle and sheep, dealing in and assembling livestock, feeding and fattening cattle, hogs and lambs, and maintaining breeding herds of cattle and flocks of sheep; that such Company owns 256-3/5 of the 450 outstanding shares of common stock of The First National Bank of Hecla, Hecla, South Dakota; and that such Company does not, directly or indirectly, own or control any stock of, or manage or control, any banking institution other than The First National Bank of Hecla.

In view of these facts the Board has determined that W. M. Scott Live Stock Company, Inc. is not engaged, directly or indirectly, as a business in holding the stock of or managing or controlling banks, banking associations, savings banks, or trust companies within the meaning of section 2(c) of the Banking Act of 1933, as amended; and, accordingly, such Company is not deemed to be a holding company affiliate except for the purposes of section 23A of the Federal Reserve Act and does not need a voting permit from the Board of Governors in order to vote the bank stock which it owns.

If, however, the facts should at any time differ from those set out above to an extent which would indicate that W. M. Scott Live Stock Company, Inc. might be deemed to be so engaged, this matter should again be submitted to the Board. The Board reserves the right to rescind this determination and make a further determination of this matter at any time on the basis of the then existing facts.

Approved unanimously, for
transmittal through the Federal
Reserve Bank of Minneapolis.

At the meeting on Friday, June 17, 1955, reference was made to the proposed absorptions of (1) Commercial Bank, Patterson, California, by American Trust Company of San Francisco, and (2) Lewiston Trust Company of Lewiston, Maine, by Depositors Trust Company, Augusta, Maine. At that time it was understood informally that these matters would be discussed at the meeting today. In each case the absorption was to be

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accomplished through the purchase by the continuing bank of shares of the bank to be absorbed, immediately following which the bank being absorbed would be placed in liquidation and its assets vested in, and its deposit and other liabilities assumed by, the acquiring bank. The offices of the banks being absorbed were to be continued as branches of the purchasing banks.

Mr. Hexter commented on the legal aspects of the proposed absorptions, noting the provision of section 5136 of the Revised Statutes (12 U.S.C. 24) which prohibits the purchase by a national bank for its own account of the shares of stock of another corporation, and stated that the same provision was made applicable to State member banks by paragraph 20 of section 9 of the Federal Reserve Act. Mr. Hexter also referred to two memoranda which had been prepared in the Legal Division under date of June 16, 1955. One of these summarized previous cases considered by the Board in connection with similar absorptions, in which cases the Board had interposed no objection to the transactions. The other memorandum stated the conclusion that, as a legal matter, the Board might justifiably approve the proposed assumption of deposit liabilities and the establishment of a branch of American Trust Company at the present location of Commercial Bank in Patterson, California. It also stated the further conclusion that, in general, the Board might give such approval in connection with absorptions through purchase of stock wherever it is clear that the stock purchase is merely one brief step in an acquisition of assets and

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assumption of liabilities and will be followed promptly by such a take-over, so that the acquiring bank will not be holding stock which actually represents an ownership interest in another corporation. Mr. Hexter went on to say that another view which was presented by some members of the Legal Division was that the purchase of shares of stock by a member bank in such a case would represent a technical violation of the statute but that inasmuch as the shares so purchased would immediately be placed in liquidation, the violation, if any, should not be considered a hindrance to the transaction and would, for all practical purposes, be immediately corrected by dissolution of the bank acquired.

During a discussion of the matter it was noted that neither the memoranda prepared by Mr. Hexter nor the memoranda prepared by the Division of Examinations regarding the proposed mergers had been circulated among the members of the Board and, at Chairman Martin's suggestion, it was understood that these memoranda would be placed in circulation and considered at a later meeting of the Board.

Minutes of actions taken by the Board of Governors of the Federal Reserve System on June 17, 1955, were approved unanimously.

All of the members of the staff then withdrew and the Board went into executive session.

The Secretary was later informed that during the executive session the Board approved a memorandum dated June 8, 1955, from Mr. Young, Director, Division of Research and Statistics, and


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Mr. Dembitz, Assistant Director, Division of International Finance, recommending that the following persons be authorized to attend the Merrill Center for Economics at Southampton, Long Island, for the periods indicated; and that actual necessary travel expenses, including such expenses incurred on weekends away from the Merrill Center, and reimbursement on a mileage basis if a privately owned automobile is used, be paid by the Board in accordance with the Board's travel regulations:

<u>Name and title</u>	<u>Period</u>
Kenneth B. Williams, Assistant Director, Division of Research and Statistics	July 16-29, 1955
Frank M. Tamagna, Chief, Financial Operations and Policy Section, Division of International Finance	August 1-12, 1955

The meeting then adjourned.


Secretary